



PRESS RELEASE

Colorado Department of Law
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ATTORNEY GENERAL HALTS QUANTUM TITLE'S PONZI SCHEME

DENVER— [The Colorado Attorney General's Office](#) announced today that the statewide Grand Jury has indicted Quantum Title after investigators found approximately \$3 million missing from the company's escrow account. After sending a letters to customers, its insurance company, and the Colorado Division of Insurance advising that it was unable to meet escrow obligations, Quantum Title ceased operations in July 2011.

"Quantum Title ran a Ponzi scheme that defrauded investors of more than \$3 million before getting caught," said Chief Deputy Attorney General Cynthia Coffman. "Careful oversight by state regulators and methodical teamwork with our federal partners exposed the depths of this crime."

Upon receipt of the letter that Quantum Title could not make its escrow obligations, the Colorado Division of Insurance immediately began investigating the company and contacted the Financial Fraud Unit of the Attorney General's Office when criminal actions were suspected. Investigators then analyzed loan documents and bank statements as well as conducted interviews of associated persons and determined that approximately \$3 million was missing from Quantum Title's escrow account.

This was the result of approximately fourteen closings performed by Quantum Title where the payoff was not sent to the original mortgagor. The investigation determined that there were discrepancies in Quantum Title's bank accounts dating back to at least 2009. Investigators uncovered what appeared to be a Ponzi scheme, whereas the principals of Quantum Title, owner Michael Martinez (D.O.B. 5/7/61), and accountant Kathy Norman (D.O.B. 2/1/61), purposely took money funded for closings and used it for other means, relying on future fundings to pay off the older transactions.

The Colorado Attorney General's Office learned that Freddie Mac and the Federal Housing Finance Agency were investigating Martinez for possible mortgage fraud involving other investment companies he owned. Freddie Mac and the Federal Housing Finance Agency turned over its investigation to the Colorado Attorney General's Office. Investigators were able to locate three properties where deceptive information was used to gain mortgages from lenders. These properties involved Michael Martinez, Kathy Norman and Ben Velasquez (D.O.B. 11/28/38).

This case was brought before the Colorado State Grand Jury in May 2013 which indicted Martinez and Norman on one count of theft over \$20,000 and one count of theft over \$15,000, both of which are Class 3 Felonies. Ben Velasquez was indicted on one count of theft over \$20,000 a Class 3 Felony and two counts of forgery, a Class 5 Felony. Each person faces a potential sentence of between four and 12 years as well as restitution.

The Colorado Attorney General's Office was assisted in its investigation by the Colorado Division of Insurance, Freddie Mac, and the Federal Housing Finance Agency.

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